

Shoalhaven Community Financial Services Limited

ABN 77 128 253 065

2020 Financial Report

Shoalhaven Community Financial Services Limited

ABN 77 128 253 065

DIRECTORS' REPORT

Directors present this report on the Company for the financial year ended 30 June 2020.

Directors

The names of each person who has been a director during the year and to the date of this report are:

		Qualification	Special Responsibilities
Antony MORRIS	Director	- Fellow Australian Institute of Company Directors - Fellow Managers and Leaders Institute - Military qualification in Strategy and Leadership	Chairperson
Paul DEAN	Director	- Bachelor of Commerce - Master of Business Administration	Finance and Audit Committee
Anna FINCH	Director	- Marketing consultant	Marketing and HR committee
Elspeth FINNEY	Director	- Bachelor of Laws	Marketing and HR committee
Jack MILLER	Director	- Bachelor of Arts - Bachelor of Laws	Finance and Audit Committee
Gary TEARLE	Director	- Teacher (retired)	
Kelvin TAYLOR	Director (from August 2019)	- Bachelor of Arts (Visual Communication)	Marketing Committee
Deborah-Anne WOOLEY	Director (from December 2019)	- Bachelor of Business - Member of ICAANZ	Finance and Audit Committee Marketing and HR committee
Maria EMERY	Director (to November 2019)		
Christopher THALER	Director (to August 2019)		

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activity of the Company during the financial year was providing **Community Bank®** services under management rights to operate a franchised branch of the Bendigo and Adelaide Bank Limited.

No significant change in the nature of these activities occurred during the year.

Review of Operations

The after-tax profit of Company was \$19,659, which represents a 1.48% decrease over the previous year (2019: \$19,954).

New Accounting Standards Implemented

The Company has implemented new Accounting Standards that are applicable for the current reporting period.

AASB 16: *Leases* has been applied retrospectively, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*.

Significant Changes in the State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

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Likely Developments and Expected Results of Operations

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Dividends

— No dividends were declared or recommended during the financial year.

Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year, and there were no options outstanding as at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may rise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

No indemnification has been obtained for the auditors of the Company.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Meetings of Directors

During the financial year, 9 meetings of directors were held. Attendances by each director were as follows:

Directors' Meetings		
	Number eligible to attend	Number attended
MORRIS, Antony	9	9
EMERY, Maria	4	0
DEAN, Paul	9	8
FINCH, Anna	9	7
FINNEY, Elspeth	9	6
THALER, Christopher	2	0
MILLER, Jack	9	6
TEARLE, Gary	9	5
TAYLOR, Kelvin	7	5
WOOLEY, Deborah-Anne	4	3

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DIRECTORS' REPORT

Special Meetings of Directors

During the financial year, 1 special meeting of directors was held. Attendances by each director were as follows:

	Number eligible to attend	Number attended
MORRIS, Antony	1	1
EMERY, Maria	0	0
DEAN, Paul	1	1
FINCH, Anna	1	1
FINNEY, Elspeth	1	0
THALER, Christopher	0	0
MILLER, Jack	1	1
TEARLE, Gary	1	1
TAYLOR, Kelvin	1	1
WOOLEY, Deborah-Anne	1	0

Remuneration Report

Remuneration Policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Shares held by key management personnel

The number of ordinary shares in the Company during the 2020 reporting period held by each of the Company's Key Management Personnel, including their related parties, is set out below:

	Balance at start of year	Movement	Balance at end of year
Maria Emery	1,000	-	1,000
Gary Tearle	1,000	-	1,000

Loans to Key Management Personnel

There were no loans to key management personnel during the current or prior reporting period.

Functional and presentation currency

The functional currency of the entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars.

Authorised Shares

The total number of authorised shares in the entity is 844,400.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

FISHER, Jane Constance

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DIRECTORS' REPORT

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 5.

No officer of the Company is or has been a partner/director of any auditor of the Company.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director

Antony Morris

Dated this 1st day of October 2020



**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
To the Directors of Shoalhaven Community Financial Services Limited**

I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Daley Audit

Daley Audit

Stephen Milgate

Stephen Milgate
Partner

Wollongong

1 October 2020

Liability limited by a scheme approved under Professional Standards Legislation

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Professional Standards
Legislation



CHAIRMAN'S REPORT TO AGM

It is my pleasure to present the 13th Annual Chairman's report for Shoalhaven Community Financial Services Limited.

I am also pleased to report the financial results for the 18/20 Financial Year show a net profit of \$19,659. This is now the third year the Branch has achieved profit and I look forward to continuing that momentum in profitability this Financial Year.

There have been some changes to the directors on the Board for the reporting period and I welcome Deb Woolley to the board. We remain with 8 Directors on our Board.

In accordance with the Company Constitution where a third of the Board directors are required to stand down at each Annual General Meeting (AGM), James Morris and Paul Dean will be standing down and are also willing to be re-elected if the meeting approves.

I also extend my congratulations to our team at the Branch for its continued support and ongoing passion for the concept of the Community Bank model. We have five staff working in the branch, two of which are full time. Our Part-time Customer Service Officer Chris Ireland resigned to move to Sydney with alternate employment and we recently employed Chloe Griffiths to replace Chris. Chloe was previously a School Based Trainee with Sanctuary Point branch so has come to us with some experience. Our Customer Relationship Officer Marijke Scanlon has advised of her intention to retire early December, we have therefore employed an additional staff member Joseph Philpott to allow ample time for training prior to us losing Marijke. Joseph has had prior experience as a mortgage broker and will be an asset to the team.

Our Manager, Heather Darlington continues to bring her extensive banking experience and knowledge to the branch. Her passion, determination and enthusiasm create a positive and friendly working environment to our customers and staff alike. This is strongly supported from the positive feedback received from customers.

The branch customer base continues to grow despite the continuing financial and economic difficulties.

There are 324 Community Bank Branches with over \$250 million returned to communities since the models' inception. Our Community Bank branch continues to support the community in the not-for-profit, sport and cultural areas. These investments have been possible as a result of the marketing Development fund (MDF). This is additional funding provided by Bendigo Bank and is based on the level of business we hold at our branch. For every \$1million on our books, we receive up to a maximum of \$40,000 of which \$15,000 is earmarked for marketing purposes with those funds combined with the boards of Milton, Sussex Inlet and Sanctuary Point allowing us a far greater marketing dollar.

This year we were again active in the Shoalhaven Business Awards, Naidoc Awards, Shoalhaven Medical Awards, Nowra Show Society, Shoalhaven Eisteddfod, Nowra Junior Warriors, Shoalhaven Cancer Newsletter which is printed monthly, Shoalhaven Community Choir (fundraising for Shoalhaven Hospital), and other smaller sponsorships.

To maintain our profitability, we need not only the support of the Board but all shareholders. We again extend an invitation to all our shareholders to make us your bank of choice and are confident that once you do, you will be able to assist with growing our customer base by spreading the word of what a great Community Bank branch we are and of the excellent customer service provided. We provide full banking services for both business and personal requirements with the added benefit of personal service and direct branch contact. We can do what every other bank can do by way of products and we do it with great customer service.

Finally, my thanks to my fellow Board Members and especially the staff for a year of hard work and determination that has shown we can and do grow the business for the benefit of our customers.

James Morris
Chairman

Manager's Report

Year ended 30 June 2020

The last 6 months of the financial year ended 30th June 2020 was a difficult one for many. The fires from late December through to early 2020 affected a large number of our customers some of whom suffered the loss of their homes and other assets, in particular those in the Kangaroo Valley area. Our company provided financial assistance where we could, and we have maintained contact with those customers to track how they are faring; some are still waiting to re-build.

The branch continued to remain operational through the fires, closing 2 hours earlier one afternoon due to threat to staff's properties.

The fires were followed by a storm that caused a back-up of water through the branch building down pipes and into the air-conditioning ducts which then collapsed due to the weight of the water, bringing down parts of the ceiling in the branch. Consequently, the branch was closed for 4 days while repairs were carried out. As a result of the insurance claim we now have new carpet in the branch which after 12 years use, was a bonus.

Then of course, Covid -19 appeared. The branch has been conscious of restrictions in relation to the Covid-19 virus and have operated in terms of Government and the Bank's requirements limiting the number of customers allowed into the branch at any one time, providing hand sanitiser and ensuring the branch is continually cleaned. The branch has operated throughout the pandemic without any closures required.

Given the events that occurred up to 30 June 2020, our business slowed somewhat, and this is reflected in the financial results.

As a Community Bank branch, we continue to assist in community sponsorships and events with the staff and our company directors giving their own time on numerous occasions, waving the flag for Nowra & District Community Bank Branch. I am extremely proud to be part of such a team.

Much of our growth is achieved through word of mouth referrals by satisfied customers.

As shareholders, we ask for your help in bringing in new business into the Branch by introducing us to Community groups you are involved in or to business acquaintances.

If you do not currently bank with us then I would welcome your business providing us the chance to show you just how pleasant banking with us can be.

Once you are a customer of the branch, I am confident you would then be happy to refer others and assist the branch in business growth and subsequently our ability to continue community contributions and payment of dividends.

I look forward to the next 12 months and the continuance of our efforts to ensure we are the most customer connected bank with a reputation for excellent service and competitive banking products.

Regards,

Heather Darlington
Branch Manager

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		\$	\$
Revenue	2	539,867	568,649
Other income	2	25,199	4,771
Employee benefits expense		(333,364)	(337,926)
Depreciation and amortisation expense	3	(50,606)	(19,854)
Interest expense	3	(20,965)	(13,414)
Occupancy cost	3	(14,218)	(60,754)
Information technology expenses		(20,639)	(20,587)
Administration expenses		(98,076)	(88,711)
Sundry expenses		(7,539)	(12,220)
Current year profit before income tax		19,659	19,954
Income tax expense	4	-	-
Net current year profit		19,659	19,954
Other comprehensive income		-	-
Total other comprehensive (losses)/income for the year		-	-
Total comprehensive income for the year		19,659	19,654
Total comprehensive income attributable to members of the Company		19,659	19,954

Earnings/(loss) per share (cents per share)

- Basic earnings/(loss) per share	20	2.33	2.33
- Diluted earnings/(loss) per share		2.33	2.33

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020	2019
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	14,771	8,109
Accounts receivable and other debtors	6	30,578	30,049
Other current assets	7	4,833	4,720
TOTAL CURRENT ASSETS		50,182	42,878
NON-CURRENT ASSETS			
Property, plant and equipment	8	44,087	46,155
Intangible assets	9	39,667	52,889
Rights of use assets	10	229,316	-
TOTAL NON-CURRENT ASSETS		313,070	99,044
TOTAL ASSETS		363,252	141,922
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables	11	42,787	53,562
Borrowings - secured	12	294,148	299,405
Lease liabilities		25,833	-
Employee provisions	13	37,773	42,170
TOTAL CURRENT LIABILITIES		400,541	395,137
NON-CURRENT LIABILITIES			
Lease liabilities		206,493	-
Employee provisions	13	6,665	6,302
Trade and other payables	11	14,545	29,089
Make good provision		16,701	-
TOTAL NON-CURRENT LIABILITIES		244,404	35,391
TOTAL LIABILITIES		644,945	430,528
NET ASSETS/(LIABILITIES)		(281,693)	(288,606)
EQUITY			
Issued Capital	14	844,400	844,400
Retained Earnings		(1,126,093)	(1,133,006)
TOTAL EQUITY		(281,693)	(288,606)

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	Issued Capital	Retained Earnings	Total
		\$	\$	\$
Balance at 1 July 2018		844,400	(1,152,960)	(308,560)
Comprehensive income				
Profit or loss for the year		-	19,954	19,954
Other comprehensive income for the year		-	-	-
Transactions with owners, in their capacity as owners				
Dividends paid or provided for		-	-	-
Total comprehensive income		-	19,954	19,954
Balance at 30 June 2019		844,400	(1,133,006)	(288,606)
Balance at 1 July 2019		844,400	(1,133,006)	(288,606)
Cumulative adjustment upon adoption of new accounting standards – AASB 16		-	(12,746)	(12,746)
Balance at 1 July 2019(restated)		844,400	(1,145,752)	(301,352)
Comprehensive income				
Profit or loss for the year		-	19,659	19,659
Other comprehensive income for the year		-	-	-
Transactions with owners, in their capacity as owners				
Dividends paid or provided for		-	-	-
Total comprehensive income for the year		-	19,659	19,659
Balance at 30 June 2020		844,400	(1,126,093)	(281,693)

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		619,359	630,941
Payments to suppliers and employees		(557,250)	(578,015)
Interest paid		(7,722)	(13,414)
Net cash generated from operating activities	17(a)	54,387	39,512
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(4,740)	(4,322)
Net cash used in investing activities		(4,740)	(4,322)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities (2019: finance lease liabilities)		(37,728)	-
Net cash used in financing activities		(37,728)	-
Net increase in cash held		11,919	35,190
Cash on hand at beginning of the financial year		(291,296)	(326,486)
Cash on hand at end of the financial year	17(b)	(279,377)	(291,296)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The financial statements cover Shoalhaven Community Financial Services Limited as an individual Company, incorporated and domiciled in Australia. Shoalhaven Community Financial Services Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 1st of October 2020 by the directors of the Company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Company is a for-profit Company for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar unless stated otherwise.

Accounting Policies

a. Economic Dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Nowra.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" the logo and systems of operation of Bendigo and Adelaide Bank Limited. The Company manages the Community Bank branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank branch is effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products of Bendigo and Adelaide Bank Limited, with the Company facilitating the provision of those products. All loans, leases or hire purchase transaction, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited and all credit products are products of Bendigo and Adelaide Bank Limited

As can be seen in Note 12, the Company has significant borrowing facilities with its banker, being an overdraft of \$400,000 (with \$294,148 used at balance date). This is in light of:

- The negative asset position in the statement of financial position
- The net current asset deficiency position and going concern assertion referred to in Note 1(t); and
- The gearing ratio of 67.4% in note 22

As part of the facility agreement, the bank reviews the position of the Company on a regular basis and has been in communication with management of the Company in relation to its financial performance and position. As at the date of signing this report, the Company has met all repayment schedules requested by the bank and they have formally confirmed that they will continue to provide this overdraft facility.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Earnings per share accounting policy

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

c. Income Tax

The income tax expense (Income) for the year comprises current income tax expense (Income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

d. Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the Company at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the Company's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

e. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, as indicated, less, where applicable, any accumulated depreciation and impairment losses.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e. Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	5% - 10%
Plant and equipment	5% - 20%
Computer equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

f. Leases (the Company as Lessee)

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Company where the Company is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

g. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Company initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the Companying was documented appropriately, so that the performance of the financial liability that was part of a Company of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Shoalhaven Community Financial Services Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie the Company has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

h. Impairment of Assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i. Intangible Assets Other than Goodwill

Franchise fees

Franchise fees are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and impairment loss. Franchise fees are tested annually for impairment, if there are indications of impairment, and are amortised on a straight-line basis over their useful lives.

The amortisation rates used for each class of intangible asset with a finite useful life are:

Class of Intangible Asset	Amortisation Rate
Franchise Fee	20%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

j. Employee Benefits

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations due to changes in assumptions for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense in the periods in which the changes occur.

The Company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

k. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as borrowings in current liabilities on the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

m. Revenue Recognition

The Company has applied AASB 15 *Revenue from Contracts with Customers*. The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Specific revenue streams

The Company recognises revenue from the following major source providing Community Bank® branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

Provision of branch services

Revenue from the provision of branch services is recognised over the period in which the services are rendered. The contract for branch services are subject to a formal franchise agreement.

The agreement includes an enforceable right for the Company to receive payment for work performed to date based on the services provided based upon observable data and therefore the criteria for recognition of revenue over time is met.

The Company's payment terms are 30 days from the end of the month and accordingly there is no financing element to the services provided.

At the end of each month, the Company recognises a receivable as this represents the point in time at which the Company's right to consideration becomes unconditional as a Recipient Created Tax invoice (or equivalent) accompanies the services provided, as only the passage of time is required before payment is due.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

n. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(h) for further discussion on the determination of impairment losses.

o. Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at cost using the effective interest method.

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Shoalhaven Community Financial Services Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

p. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from financing and investing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Company retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

r. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates

(i) Impairment

The Company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

Key judgements

(i) Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the Company expects that all its employees would use all their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the directors consider that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

s. New and Amended Accounting Policies Adopted by the Company

Initial application of AASB 16

The Company has adopted AASB 16 *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

Shoalhaven Community Financial Services Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has recognised a lease liability and right-of-use asset for all leases (with the exception for short term and low value leases) recognised as operating leases under AASB 117 Leases where the Company is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right of use assets were measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability, prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

Certain new accounting standards have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

t. Going Concern

These financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company is technically insolvent in that its liabilities exceed its assets. Furthermore, current liabilities exceed current assets. This has come as a result of ongoing trading losses experienced since commencing business.

Since the balance date, the Company has continued to take steps to improve its trading performance by careful cash flow management, further reducing operating costs and reconfirming the level of support from Bendigo and Adelaide Bank Ltd in relation to the provision of the overdraft facility of \$400,000 for a period of 12 months from the date of signing this financial report (refer note 12). This allows the statutory financial report to be prepared on a going concern basis.

Whilst support has been provided, the overdraft continues to be utilised as part of the working capital of the Company, hence it is recorded as a current liability in the statement of financial position. As a result of the above measures, the Directors believe that the company will continue as a going concern.

NOTE 2: REVENUE AND OTHER INCOME

	2020	2019
	\$	\$
Revenue		
Revenue from:		
– Margin income	414,138	439,143
– Commission income	50,689	47,408
– Fee income	40,040	47,098
– Market Development Fund	35,000	35,000
Total revenue	539,867	568,649
 Revenue from contracts from customers is recognised as follows:		
– Over time	486,838	508,389
– At a point in time	53,029	60,260
	539,867	568,649

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: REVENUE AND OTHER INCOME

	2020	2019
	\$	\$
Other income		
– Commonwealth government grants	22,134	-
– State government grants	2,500	2,250
– Other	565	2,521
Total other income	25,199	4,771
Total revenue and other income	565,060	573,420

NOTE 3: SURPLUS FOR THE YEAR

	2020	2019
	\$	\$
a. Expenses		
Depreciation and amortisation expense		
– Depreciation of property, plant and equipment	6,808	6,632
– Amortisation of intangible assets	13,222	13,222
– Amortisation of right-of-use asset	30,576	-
Total depreciation and amortisation expense	50,606	19,854
Interest expense		
– Leases	13,243	-
– Other	7,722	13,414
Total interest expense	20,965	13,414
Occupancy costs on leases:		
– Occupancy Costs	14,218	60,754
Total Occupancy Costs	14,218	60,754
Audit services:		
Auditor's remuneration:		
– Audit and review of financial reports	11,083	10,426
Total audit remuneration	11,083	10,426

Shoalhaven Community Financial Services Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: INCOME TAX EXPENSE

	2020	2019
	\$	\$
Prima facie tax payable on the result from ordinary activities before income tax at 27.5%	5,406	5,487
Tax losses not brought to account as deferred tax assets	(5,406)	(5,487)
Income tax expense / (benefit)	-	-
Deferred tax assets not brought to account		
Revenue losses	294,128	294,253

NOTE 5: CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
CURRENT		
Cash at bank – unrestricted	14,771	8,109
	14,771	8,109

NOTE 6: ACCOUNTS RECEIVABLE AND OTHER DEBTORS

	Note	2020	2019
		\$	\$
CURRENT			
Accounts receivable		30,578	30,049
Total current accounts receivable and other debtors		30,578	30,049

The Company applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2020 is determined as follows; the expected credit losses also incorporate forward-looking information.

2019	Current	>30 days past due	>60 days past due	>90 days past due	Total
	\$	\$	\$	\$	\$
	0%	0%	0%	0%	0%
Expected loss rate					
Gross carrying amount	30,049	-	-	-	30,049
Loss allowing provision	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: ACCOUNTS RECEIVABLE AND OTHER DEBTORS

2020	Current	>30 days past due	>60 days past due	>90 days past due	Total
	\$	\$	\$	\$	\$
	0%	0%	0%	0%	0%
Expected loss rate					
Gross carrying amount	30,578	-	-	-	30,578
Loss allowing provision	-	-	-	-	-

b. Credit Risk

The Company has a concentration of credit risk with respect to trade receivables owing by Bendigo and Adelaide Bank Limited. This main source of credit risk to the Company is considered to relate to the class of assets described as "accounts receivable and other debtors".

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

NOTE 7: OTHER CURRENT ASSETS

	2020	2019
	\$	\$
Prepayments	4,833	4,720
	4,833	4,720

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	\$	\$
Plant and Equipment		
Plant and equipment:		
At cost	25,340	20,600
Less accumulated depreciation	(19,495)	(18,996)
	5,845	1,604
Computer Equipment		
At cost	18,355	18,187
Less accumulated depreciation	(17,690)	(17,189)
	665	998
At cost	290,154	290,154
Less accumulated depreciation	(252,577)	(246,601)
	37,577	43,553
Total property, plant and equipment	44,087	46,155

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment	Computer Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$
2019				
Balance at the beginning of the year	-	1,751	46,714	48,465
Additions at cost	1,782	-	2,540	4,322
Disposals	-	-	-	-
Depreciation expense	(178)	(753)	(5,701)	(6,632)
Carrying amount at the end of the year	1,604	998	43,553	46,155
2020				
Balance at the beginning of the year	1,604	998	43,553	46,155
Additions at cost	4,740	-	-	4,740
Disposals	-	-	-	-
Depreciation expense	(499)	(333)	(5,976)	(6,808)
Carrying amount at the end of the year	5,845	665	37,577	44,087

NOTE 9: INTANGIBLE ASSETS

	2020	2019
	\$	\$
Franchise Fee at cost	66,111	66,111
Accumulated amortisation	(26,444)	(13,222)
Net carrying amount	39,667	52,889

Franchise Fee \$

Movements in Carrying Amount

2019

Balance at the beginning of the year	66,111
Amortisation expense	(13,222)
	52,889

2020

Balance at the beginning of the year	52,889
Amortisation expense	(13,222)
	39,667

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: LEASES

The Company's lease is for the premises located at 98 Kinghorne Street, Nowra, NSW 2541

Options to Extend or Terminate

The options to extend or terminate are contained in the lease of the Company. All of the extension or termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the right-of-use asset.

	2020
	\$
i) AASB 16 related amounts recognised in the balance sheet	
Right of use assets	
Leased building	305,755
Accumulated depreciation	(76,439)
Total right-of-use asset	229,316
Movement in carrying amounts:	
Leased buildings:	
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	259,892
Depreciation expense	(30,576)
Net carrying amount	229,316
ii) AASB 16 related amounts recognised in the statement of profit or loss	
Depreciation charge related to right-of-use assets	30,576
Interest expense on lease liabilities	13,243
Short-term leases expense	-
Low-value asset leases expense	-
iii) Operating Leases	
Operating lease commitments disclosed at 30 June 2019	132,045
Discount using incremental borrowing rate	123,165
Adjustments relating to different treatment of extension options	133,650
Total lease liability	256,815

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: ACCOUNTS PAYABLE AND OTHER PAYABLES

	Note	2020	2019
		\$	\$
CURRENT			
Accounts payable		42,787	53,562
		<u>42,787</u>	<u>53,562</u>
NON CURRENT			
Accounts payable		14,545	29,089
		<u>14,545</u>	<u>29,089</u>

NOTE 12: BORROWINGS - SECURED

	Note	2020	2019
		\$	\$
CURRENT			
Bank Overdraft		294,148	299,405
		<u>294,148</u>	<u>299,405</u>

The overdraft facility is supplied by the Bendigo and Adelaide Bank Ltd. The facility has an approved limit of \$400,000 with a floating interest rate of 2% at 30 June 2020. Bendigo and Adelaide Bank Ltd have a Registered First Company Debenture charge from the Company.

NOTE 13: EMPLOYEE PROVISIONS

	Employee Provisions
	\$
Opening balance at 1 July 2019	48,472
Additional provisions raised during the year	2,288
Amounts used	<u>(6,322)</u>
Balance at 30 June 2020	<u>44,438</u>

	2020	2019
	\$	\$
Analysis of Employee Provisions		
Current:		
– annual leave entitlements	27,036	25,111
– long service leave entitlements	10,737	17,059
Total current employee provisions	<u>37,773</u>	<u>42,170</u>
Non-current:		
– long service leave entitlements	6,665	6,302
	<u>6,665</u>	<u>6,302</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 13: EMPLOYEE PROVISIONS

Employee Provisions

Employee provisions represent amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

NOTE 14: ISSUED CAPITAL

	Note	2020	2019
		\$	\$
844,400 ordinary shares fully paid \$1 each		844,400	844,400
		<u>844,400</u>	<u>844,400</u>

NOTE 15: EVENTS AFTER THE REPORTING PERIOD

The financial report was authorised for issue on 1 October 2020 by the Board of Directors.

As a result of the evolving nature of the COVID-19 outbreak and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the Company is not in a position to reasonably estimate the financial effects of the COVID-19 outbreak on the future financial performance and financial position of the Company. Other than the current disclosures, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial periods.

NOTE 16: RELATED PARTY TRANSACTIONS

Shares held by key management personnel

The number of ordinary shares in the Company during the 2020 reporting period held by each of the Company's Key Management Personnel, including their related parties, is set out below:

	Balance at start of year	Movement	Balance at end of year
Maria Emery	1,000	-	1,000
Gary Tearle	1,000	-	1,000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: CASH FLOW INFORMATION

	2020	2019
	\$	\$
a. Reconciliation of Cash Flows from Operating Activities with Net Current Year Surplus		
Net current year surplus	19,659	19,954
Adjustment for:		
Depreciation and amortisation expense	50,606	19,854
Interest on rights of use asset	14,117	-
Movement in working capital:		
(Increase)/decrease in accounts receivable and other debtors	(529)	179
(Increase)/decrease in other assets	(113)	(252)
Increase/(decrease) in accounts payable and other payables	(25,319)	(2,058)
Increase/(decrease) in provisions	(4,034)	1,835
Net cash generated by operating activities	54,387	39,512
b. Reconciliation of cash		
Cash and cash equivalents	14,771	8,109
Borrowings	(294,148)	(299,405)
	(279,377)	(291,296)

NOTE 18: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and lease liabilities.

The totals for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments* as detailed in the accounting policies to these financial statements, are as follows:

		2020	2019
		\$	\$
Financial assets			
Financial assets at amortised cost:			
- cash and cash equivalents	5	14,771	8,109
- accounts receivable and other debtors	6	30,578	30,049
Total financial assets		45,349	38,158
Financial liabilities			
Financial liabilities at amortised cost:			
- accounts payable and other payables	11	57,332	82,651
- borrowings		294,148	299,405
- lease liabilities		232,326	-
Total financial liabilities		583,806	382,056

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Specific Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the Company.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Accounts receivable and other debtors that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 5.

The Company has significant concentrations of credit risk exposure to Bendigo and Adelaide Bank Limited. Details with respect to credit risk of accounts receivable and other debtors are provided in Note 5.

Credit risk related to balances with banks and other financial institutions is managed by the Board of Directors.

b. Liquidity Risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The Company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The Company does not hold any derivative financial liabilities directly.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Shoalhaven Community Financial Services Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: FINANCIAL RISK MANAGEMENT

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Accounts payable and other payables (excluding estimated annual leave and deferred income)	42,787	53,562	14,544	29,089	-	-	57,331	82,651
Borrowings	294,148	299,405	-	-	-	-	294,148	299,405
Total expected outflows	336,935	352,967	14,544	29,089	-	-	351,479	382,056
Financial assets – cash flows realisable								
Cash and cash equivalents	14,771	8,109	-	-	-	-	14,771	8,109
Accounts receivable and other debtors	29,498	28,969	1,080	1,080	-	-	30,578	30,049
Other financial assets								
Total anticipated inflows	44,269	37,078	1,080	1,080	-	-	45,349	38,158
Net (outflow)/inflow expected on financial instruments	(292,666)	(315,889)	(13,464)	(28,009)	-	-	(306,130)	(343,898)

c. Market risk

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments.

The financial instruments that expose the Company to interest rate risk are limited to lease liabilities and cash on hand.

The Company also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Shoalhaven Community Financial Services Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: FINANCIAL RISK MANAGEMENT

	Surplus	Equity
	\$	\$
Year ended 30 June 2020		
+/- 1% in interest rates	(2,941)	(2,941)
Year ended 30 June 2019		
+/- 1% in interest rates	(2,995)	(2,995)
There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.		
(i) Cash on hand, accounts receivable and other debtors, and accounts payable and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Accounts payable and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 9.		

NOTE 19: OPERATING LEASE COMMITMENTS

	Note	2020	2019
		\$	\$
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Payable – minimum lease payments:			
– not later than 12 months		-	37,727
– later than 12 months but not later than five years		-	94,318
		-	132,045

NOTE 20: EARNING PER SHARE

	Note	2020	2019
		\$	\$
Basic earnings per share (cents)		2.33	2.33
Earnings used in calculating basic and diluted earnings per share		19,659	19,954
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share		844,400	844,400

NOTE 21: FAIR VALUE MEASUREMENTS

The Company measures and recognises the following assets at fair value on a recurring basis after initial recognition

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and

The Company does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

The fair values of all financial assets and financial liabilities are approximately equivalent to the carrying amounts reported in the Balance Sheet, due to the short term maturities of the investments.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Company. Most of these instruments, which are carried at amortised cost (ie accounts receivables, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Company.

Shoalhaven Community Financial Services Limited

ABN 77 128 253 065

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: CAPITAL MANAGEMENT

Management controls the capital of the Company to ensure that the Company can fund its operations and continue as a going concern.

The Company's capital consists of financial liabilities, supported by financial assets.

Management effectively manages the Company's capital by assessing the Company's financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

There have been no changes to the strategy adopted by management to control the capital of the Company since the previous year.

The gearing ratios for the years ended 30 June 2020 and 30 June 2019 are as follows:

	Note	2020	2019
		\$	\$
Total borrowings, trade and other payables		583,806	382,056
Less cash on hand	5	(14,771)	(8,109)
Net debt		569,035	373,947
Total capital		844,400	844,400
Gearing ratio		67.4%	44.3%

NOTE 23: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and assets at the date of this report to affect the financial statements

NOTE 24: OPERATING SEGMENT

The Company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being the Shoalhaven, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2019: 100%).

NOTE 25: COMPANY DETAILS

The registered office of the Company is:

98 Kinghorne Street
Nowra NSW 2541

The principal place of business is:

98 Kinghorne Street
Nowra NSW 2541

Shoalhaven Community Financial Services Limited

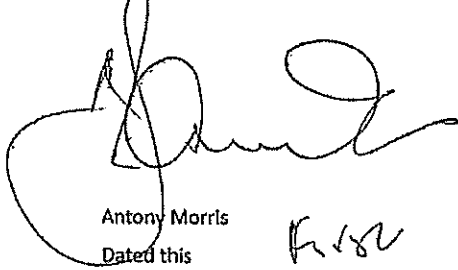
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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Shoalhaven Community Financial Services Limited, the directors of the Company declare that, in the directors' opinion:

1. The financial statements and notes, as set out on pages 6 to 31, satisfy the requirements of the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards applicable to the Company; and
 - b. give a true and fair view of the financial position of the Company as at 30 June 2020 and of its performance for the year ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Director's signature:



Antony Morris

Dated this

15th

day of

October

2020



DALEY

AUDIT

Independent Audit Report to the members of Shoalhaven Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Shoalhaven Community Financial Services Limited ("the Company") which comprises the statement of financial position as at 30 June 2020, the statement of profit and loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw attention to Note 1(t) in the financial report which, among other matters, indicates that the Company is in a net asset and net current asset deficiency position as at balance date. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore whether the Company will be able to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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Liability limited by a
Scheme approved under
Professional Standards
Legislation



Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the Directors' report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

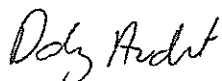
Opinion on the Remuneration Report

We have audited the Remuneration Report included on page 3 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Shoalhaven Community Financial Services Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Daley Audit



Stephen Milgate
Partner

Wollongong

1 October 2020

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